

Message Text

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44

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 DODE-00 PM-07 H-03 L-03 PA-04 PRS-01 USIA-15

SAJ-01 DRC-01 /177 W

----- 080007

R 151338Z AUG 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4426

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS BONN 12894

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: NON-RESIDENT PURCHASES OF GERMAN BONDS IN
1973 JUMP DESPITE CAPITAL CONTROLS

1. AUGUST ISSUE OF BUNDESBANK MONTHLY REPORT CARRIES
REVIEW OF 1973 DEVELOPMENTS IN THE GERMAN SECURITIES
MARKET NOTING THAT DURING 1973 FOREIGNERS PURCHASED
SOME DM 8.5 BILLION IN GERMAN BONDS. THIS REPRESENTS
NOT ONLY A THIRD OF THE DOMESTIC SALES OF BONDS BUT
ALSO A STRONG ADVANCE OVER THE 1972 FIGURE OF DM 7.7
BILLION.

2. THE VALUE OF GERMAN BONDS HELD BY NON-RESIDENTS
HAS GROWN FROM DM 3.9 BILLION IN 1970, 5.6 BILLION
IN 1971, 13.3 BILLION IN 1972 TO 21.8 BILLION IN
1973 THEREBY PROVIDING CLEAR EVIDENCE THAT AT LEAST
WITH REGARD TO BONDS, CONTROLS ON THE INFLOW OF
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FOREIGN CAPITAL, INSTITUTED IN 1972 HAVE BEEN EASILY

CIRCUMVENTED. THE BUNDESBANK NOTES THAT THE
PRINCIPAL METHODS TO ACCOMPLISH THIS WERE THRU
(1) SUITCASE TRANSACTIONS (KOFFERGESCHAEFTE) AND
(2) SHIFTING BOND HOLDINGS FROM DOMESTIC TO NON-
RESIDENT ACCOUNTS--EITHER OF INDIVIDUALS OR BANKS--
THEREBY EXPANDING BANKS' NON-RESIDENT QUOTAS.
HILLENBRAND

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Message Attributes

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Disposition Approved on Date:
Disposition Authority: n/a
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Disposition Event:
Disposition History: n/a
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